

**W***elcome*

# State of the Internal Audit Profession





# ***Agenda***

- ** neIIA**
- **Research & Business Environment**
- **Top Issues**
- **IIA Initiatives**



 **ne IIA**

# Onella



**Global Risk in Focus Reports**



**Growing Our Membership**



**Advocating for the Profession**



**Building Strong Partnerships**



**Catalyst Groups**

2024

# Global Risk in Focus Reports

Global Risk in Focus Reports





Advocating for the Profession





**Building Strong Partnerships**





Catalyst Groups

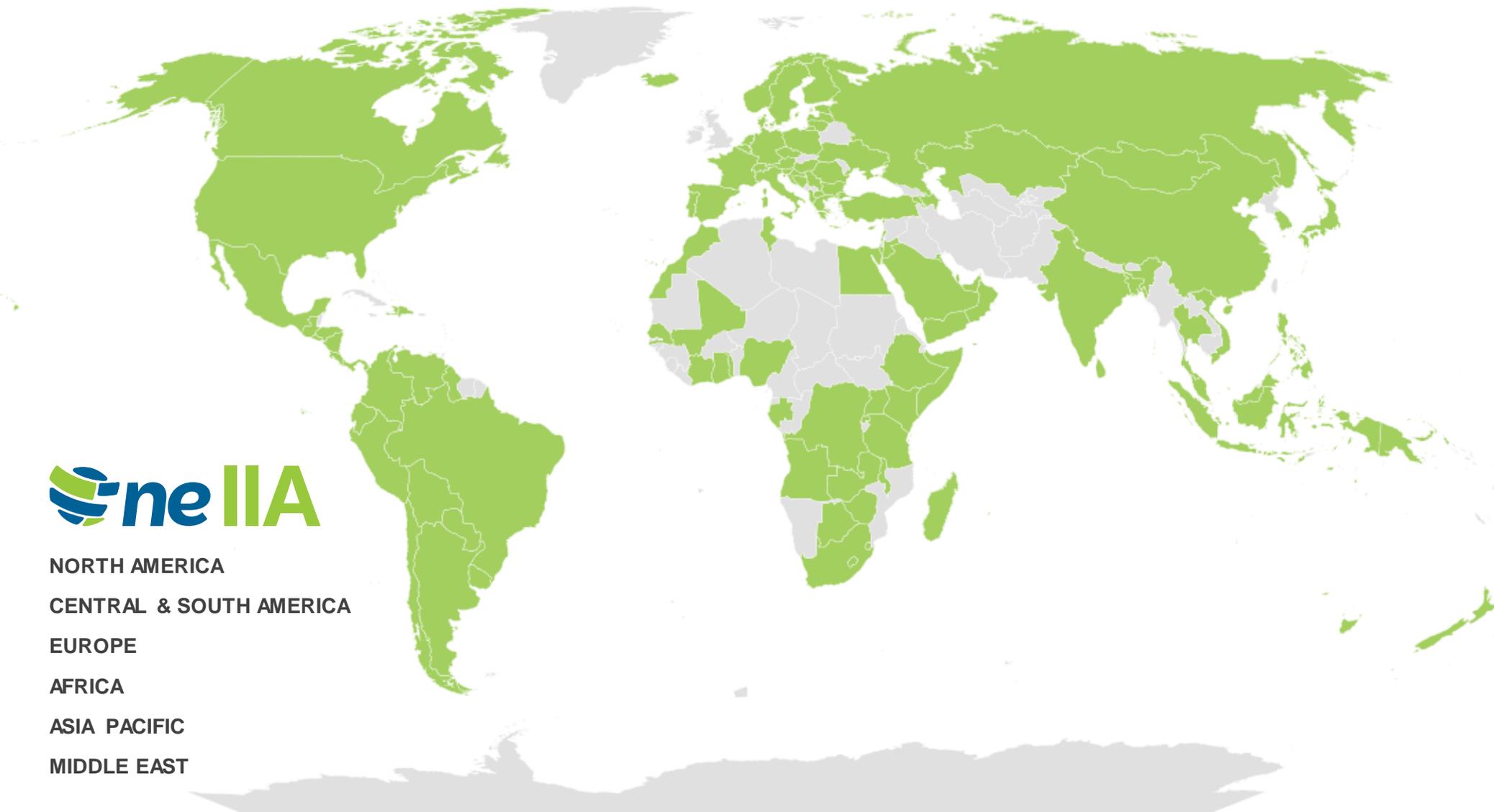




**Growing Our Membership**



# Global Footprint



- NORTH AMERICA
- CENTRAL & SOUTH AMERICA
- EUROPE
- AFRICA
- ASIA PACIFIC
- MIDDLE EAST

**245,000+**  
Members

**195,000+**  
CIA's Awarded

**170+**  
Countries & Territories

**116**  
Institutes Worldwide

# Research & Business Environment



# 2024 Outlook

## What we expect will happen in 2024?



**AI will become a more essential part of business; for internal auditors in particular**



**Cyber attacks will continue to become more sophisticated with the use of AI**



**Hiring and retaining talent will continue to be a big challenge due to the labor market and technical skills shortage**



**Increased use of third-party providers to offset talent shortage**

# 2024 Outlook

## What developments to focus on in 2024?



AI-generated misinformation and disinformation



Combatting Cybersecurity with AI security & automation



Watch for increase frequency of extreme weather events that will challenge business continuity



AI regulations and legislation will start to shape the boundaries of this new technology

# 2024 Outlook

## What actions to take in 2024?



Prepare for adoption of the new Global Internal Audit Standards



Upskill in AI – like how to use AI for auditing and auditing AI usage in your organization



Strengthen training and awareness to combat cyber attacks



Proactively broach emerging technologies and risks with board

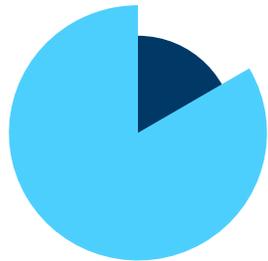


Create a portfolio of policies, procedures, and best practices for responsible AI implementation.

# 2024 Risk in Focus: Top 10 Risks

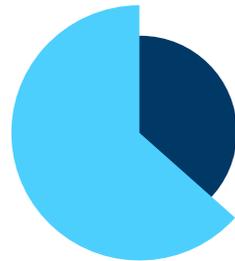
(2023 vs. 2026)

What are the top risks your organization currently faces?



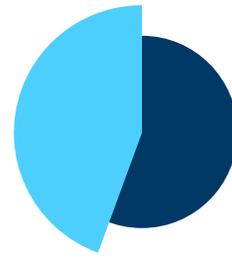
**85%**

Cybersecurity



**65%**

Human Capital



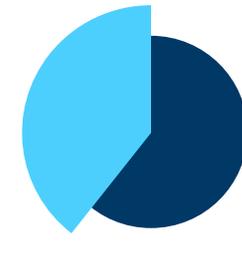
**43%**

Regulatory Change



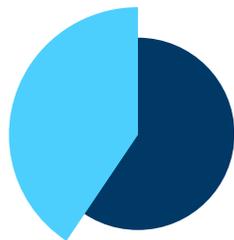
**41%**

Market Changes



**36%**

Business Continuity



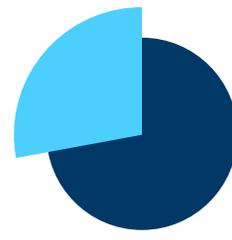
**36%**

Digital Disruption



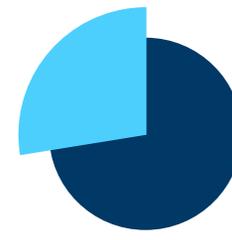
**36%**

Supply Chain &  
Outsourcing



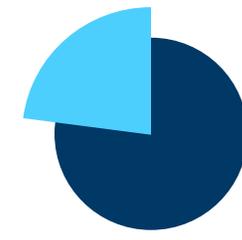
**28%**

Geopolitical  
Uncertainty



**28%**

Financial Liquidity



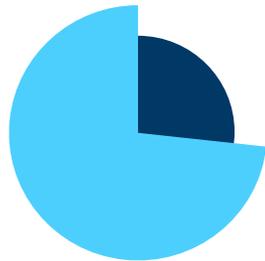
**21%**

Communication /  
Reputation

# 2024 Risk in Focus: Top 10 Risks

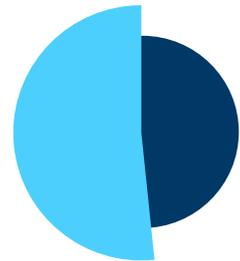
(2023 vs. 2026)

What are the top risks your organization will face 3 years from now?



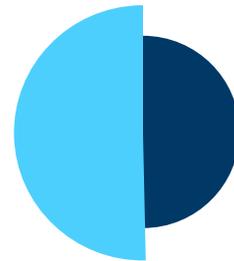
**73%**

**Cybersecurity**  
[Remains #1 risk]



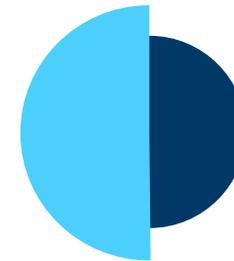
**56%**

**Digital Disruption**  
[Up from #6 to #2 risk]



**51%**

**Human Capital**  
[Down from #2 to #3 risk]



**50%**

**Regulatory Change**



**38%**

**Market Changes**



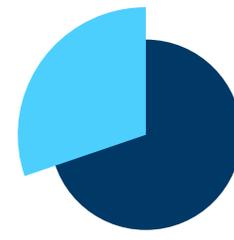
**35%**

**Business Continuity**



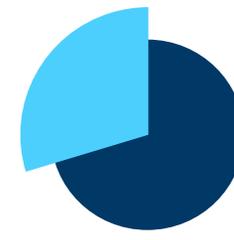
**31%**

**Supply Chain &  
Outsourcing**



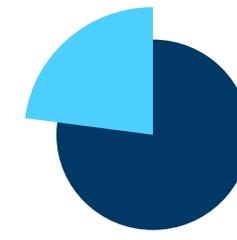
**30%**

**Geopolitical  
Uncertainty**



**30%**

**Climate Change**  
[Up from #14 to #9 risk]



**21%**

**Organizational  
Culture**

# 2024 Risk in Focus: Audit Effort

(2023 vs. 2026)

What are the top 5 risks on which internal audit spends the most time and effort?



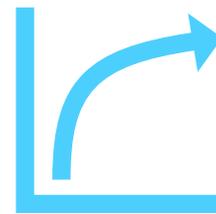
**84%**

Cybersecurity



**55%**

Governance /  
Corporate Reporting



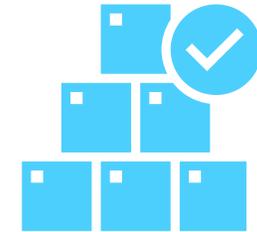
**53%**

Business  
Continuity



**53%**

Regulatory  
Change



**46%**

Financial Liquidity

# 2024 Risk in Focus: Audit Effort

(2023 vs. 2026)

What are the top 5 risks you expect internal audit to spend the most time and effort addressing 3 years from now?



**80%**

**Cybersecurity**  
[Remains #1 risk]



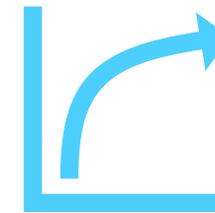
**53%**

**Digital Disruption**  
[Up from #9 to #2 risk]



**49%**

**Regulatory Change**  
[Up from #4 to #3 risk]



**46%**

**Business Continuity**  
[Down from #3 to #4 risk]



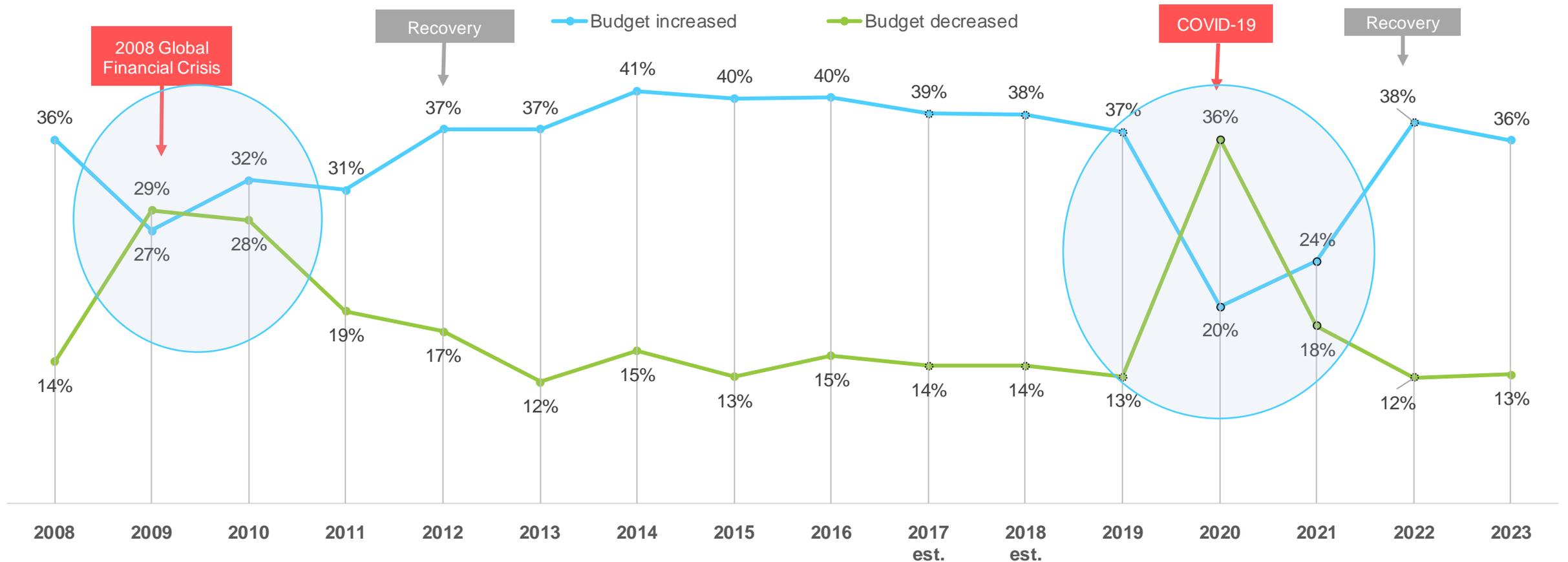
**38%**

**Governance / Corporate Reporting**  
[Down from #2 to #5 risk]

# 2024 Pulse Report: IA Budget Trends

## Budget Increases/Decreases for Internal Audit in the Prior Year

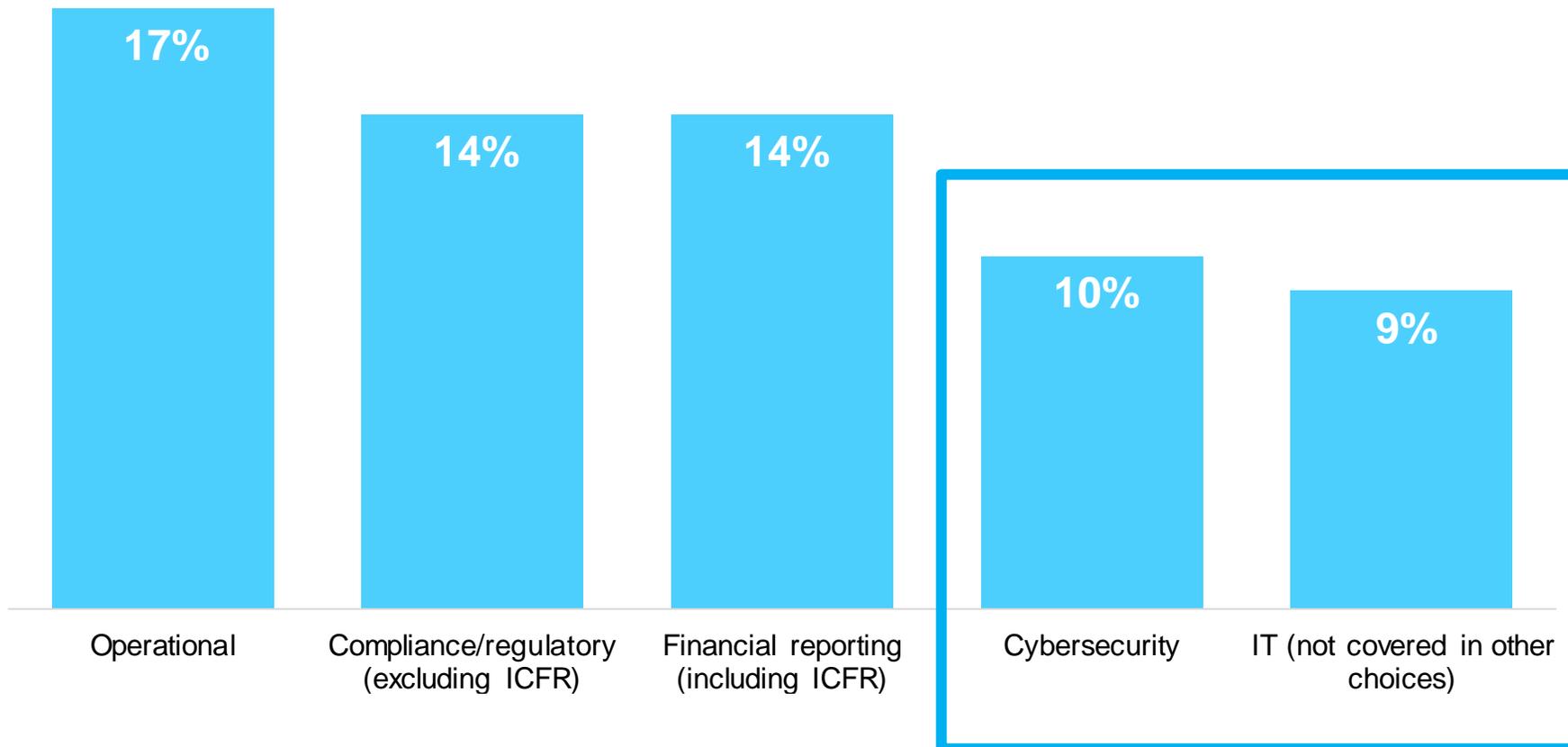
Internal Audit budgets have returned to pre-COVID levels.

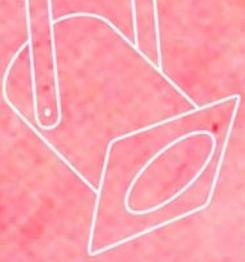


# 2024 Pulse Report: Audit Plan

## Components of Audit Plan

*Respondents indicated what percentage of their audit plan they anticipate will be allocated to each of the risk areas listed.*





# Top Issues in 2024

Cybersecurity

ESG/Climate Change

Digital Disruption

Human Capital



# Cybersecurity



# Cybersecurity

+18.75%

**\$9.5**  
Trillion

Cost of cybercrime  
in 2024

**\$265**  
Billion

Global cost of  
ransomware by 2031

+2%

**\$4.45**  
Million

Average total cost of a  
data breach

**61%**

of orgs employ some level  
of security AI & automation

**277**

days to identify and contain  
a data breach

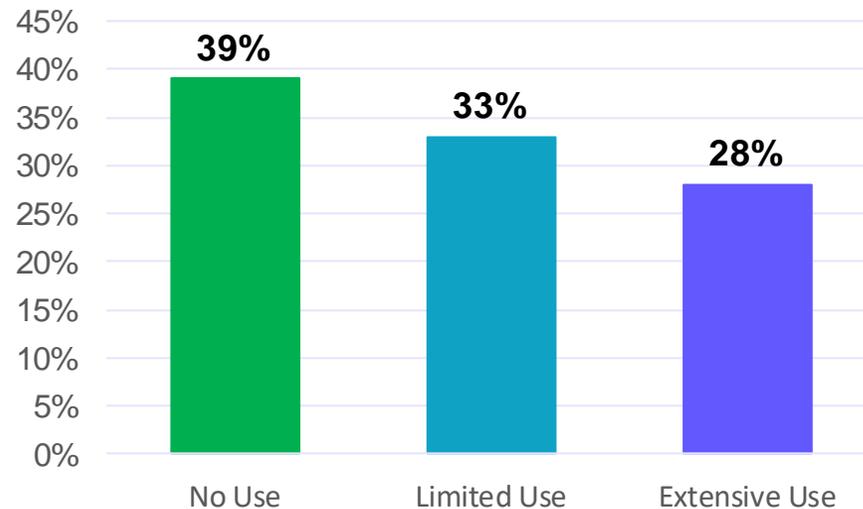
**81%**

of data breaches involved  
data stored in the cloud

# Cybersecurity: Security AI & Automation

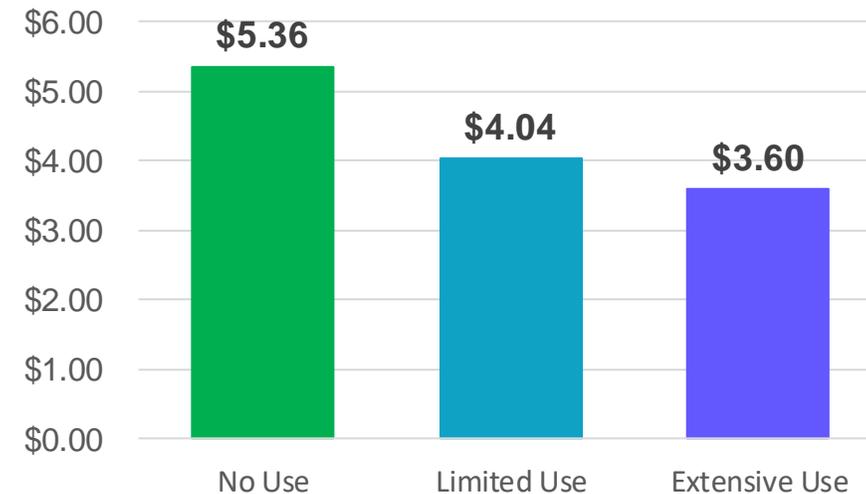
**61%** of orgs employ some level of security AI & automation

State of security AI & automation comparing three usage levels



Percentage of organizations per usage level

Cost of a data breach by security AI and automation usage level



Measured in USD millions

# Cybersecurity: Threat Actors & Attacks

## Top Cyberattack Concerns for Org:

**79%**

Enterprise Reputation

**69%**

Data Breach Concerns

**55%**

Supply Chain Disruptions

## Top Threat Actors:

**27%**

Cyber Criminals

**20%**

Hackers

**12%**

Malicious Insiders

## Top Cyberattack Methods:

**15%**

Social Engineering

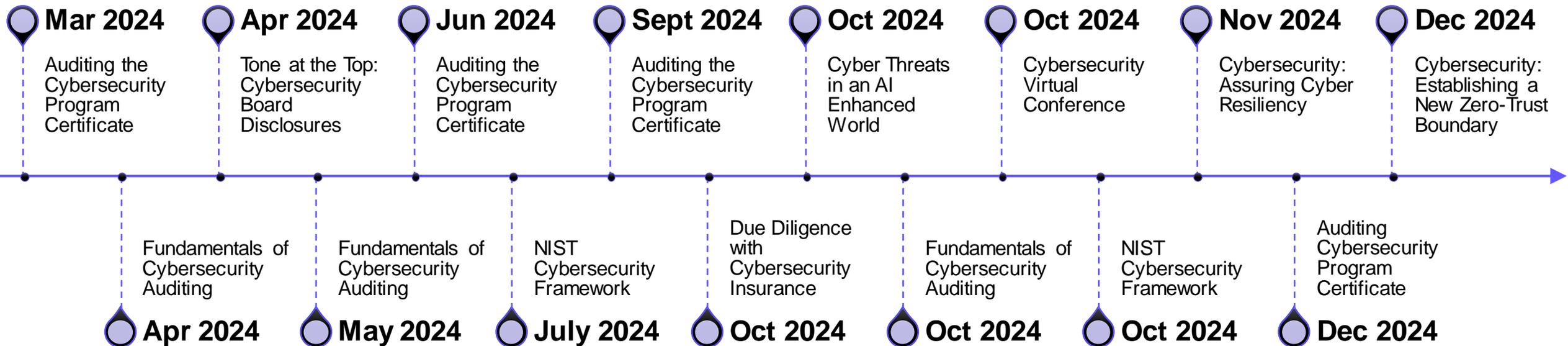
**11%**

Advanced Persistent Threat (APT)

**10%**

Ransomware

# 2024 IIA Cybersecurity Resources



# Cybersecurity

## Internal Auditors Can Lead By:



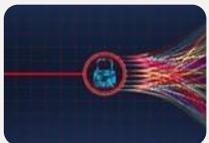
**Assessing the level of awareness, knowledge, and skills in key parts of the business**



**Evaluating the reporting lines between the CISO, the CIO, and the board**



**Assessing the frequency, timeliness, and effectiveness of faux phishing campaigns**



**Using scenario run-throughs for governance responsibilities and testing mitigation processes**



**Evaluating effectiveness of the controls environment**



**Evaluating the governance processes around shadow IT**



**Assessing how well the organization's governance structure enables collaboration across the three lines**



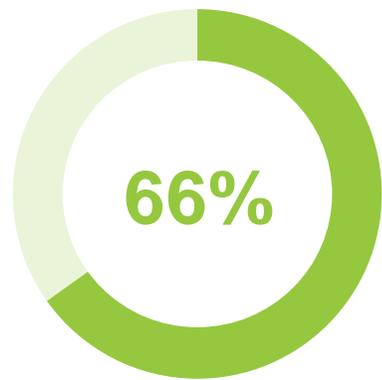
**Assessing how well the org keeps up with global developments in cyber and tech regulations**

# ESG/Climate Change

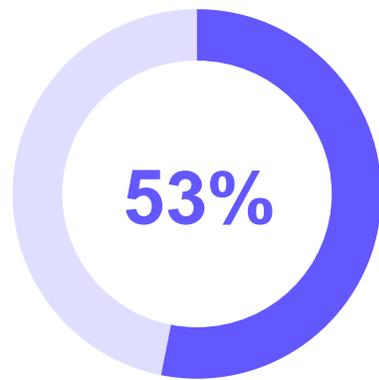


# ESG/Climate Change

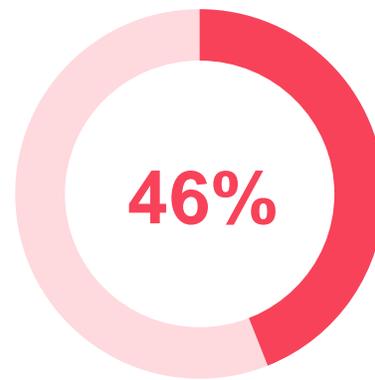
## 2024 Risk Landscape – World Economic Forum



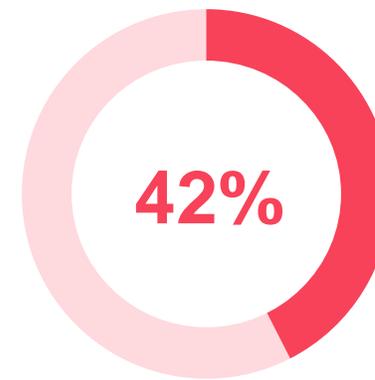
Extreme weather



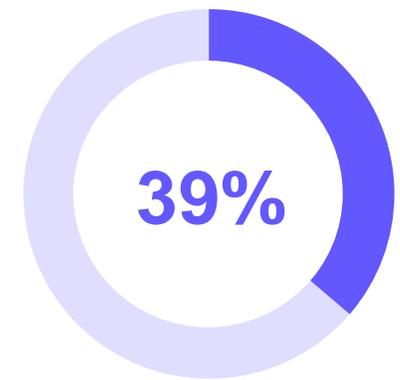
AI-generated  
Misinformation  
& disinformation



Societal and/or  
political polarization



Cost-of-living crisis



Cyberattacks



# ESG/Climate Change

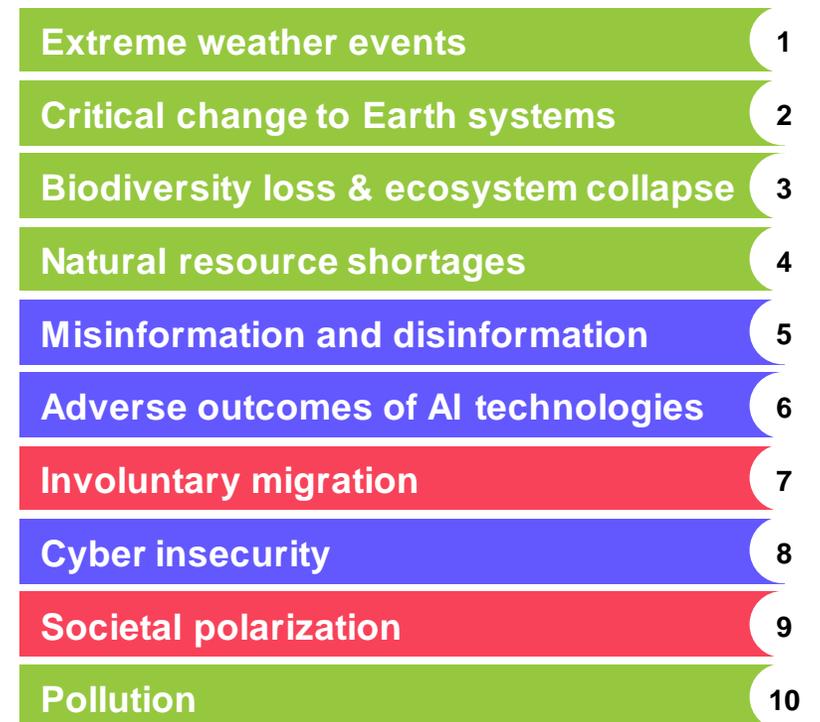
## Global risks ranked by severity over the short and long term



### 2 years



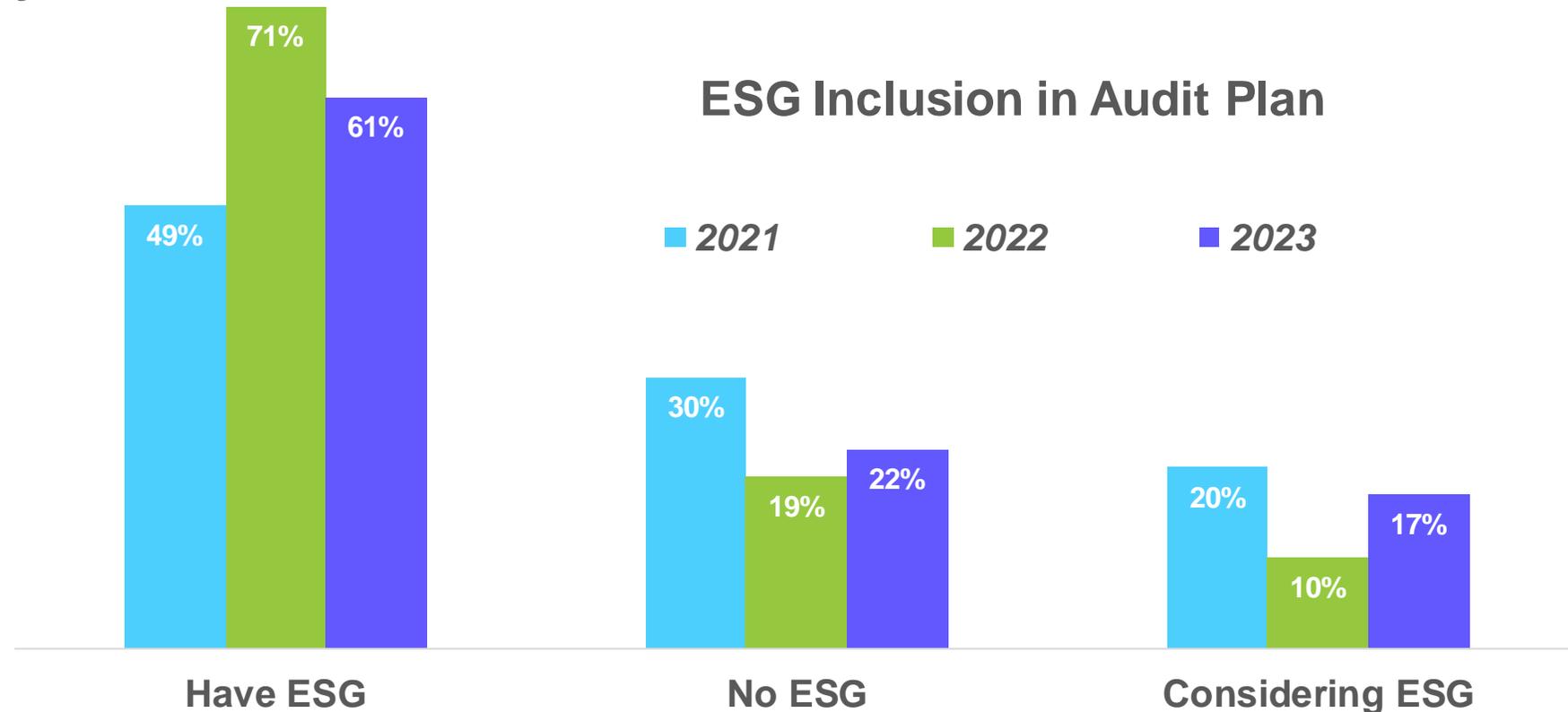
### 10 years



# ESG Risk and Controls

## Internal Audit Survey:

**61%**  
of respondents  
incorporate ESG  
in their audit plan  
with 72% reporting  
inclusions for companies  
over \$1B in revenue.



# ESG/Climate Change

## Types of Corporate Greenwashing



Defined: the process of conveying (intentionally or unintentionally) a false impression or misleading information about how a company's products are environmentally sound.



# ESG/Climate Change

## Greenwashing Statistics



# ESG/Climate Change

## Internal Auditors Can Lead By:



Engage with management on emerging technologies to provide risk and controls advice on the implementation of new systems



Evaluate how mgmt. structures and thinks about data, including whether the data taxonomy is granular enough to identify and mitigate appropriate risks



Evaluate the completeness and accuracy of data processes in the organization that relate to ESG issues



Proactively broach ESG-related issues with the board, emphasizing the potential upsides of taking a proactive, early-adopter strategic position

# Digital Disruption



# Time to Reach 1 Million Users

**NETFLIX**

**3.5 Years**



**2 Years**



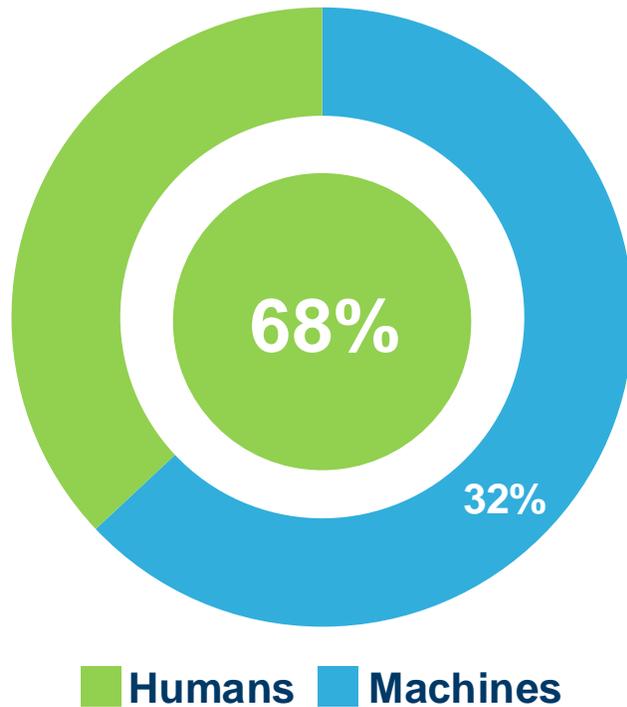
**2.5 months**



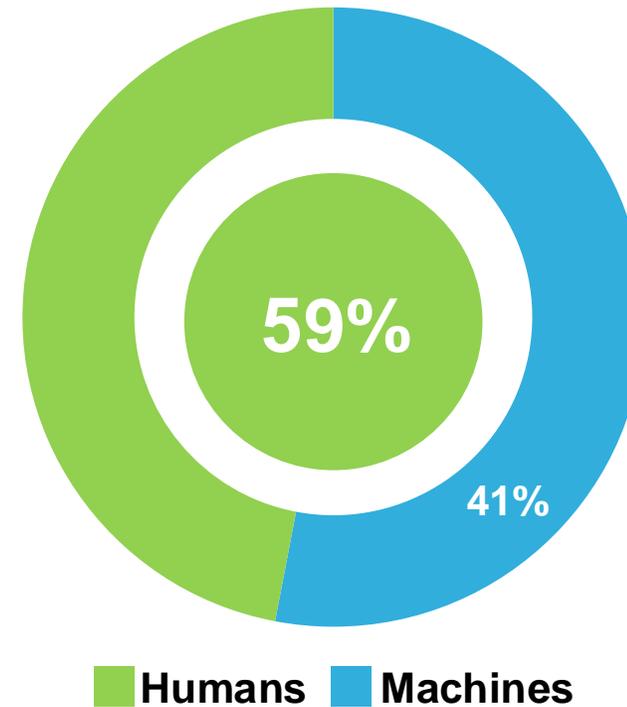
**5 Days**

# Human-Machine Frontier

TASKS PERFORMED BY HUMANS AND MACHINES TODAY



TASKS PERFORMED BY HUMANS AND MACHINES IN 2027

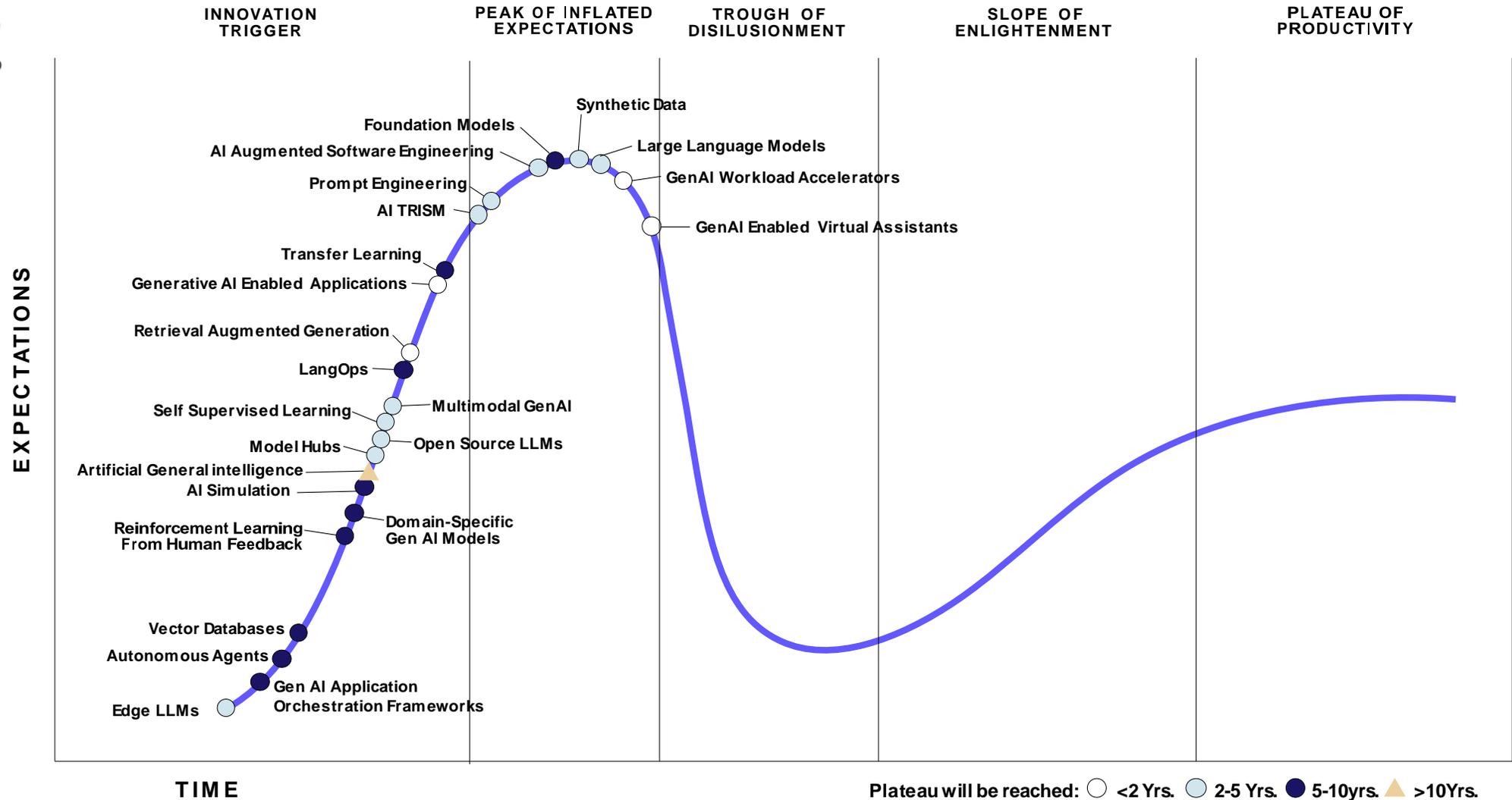


# Digital Disruption/AI

**Gartner®**

## Hype Cycle for GenAI

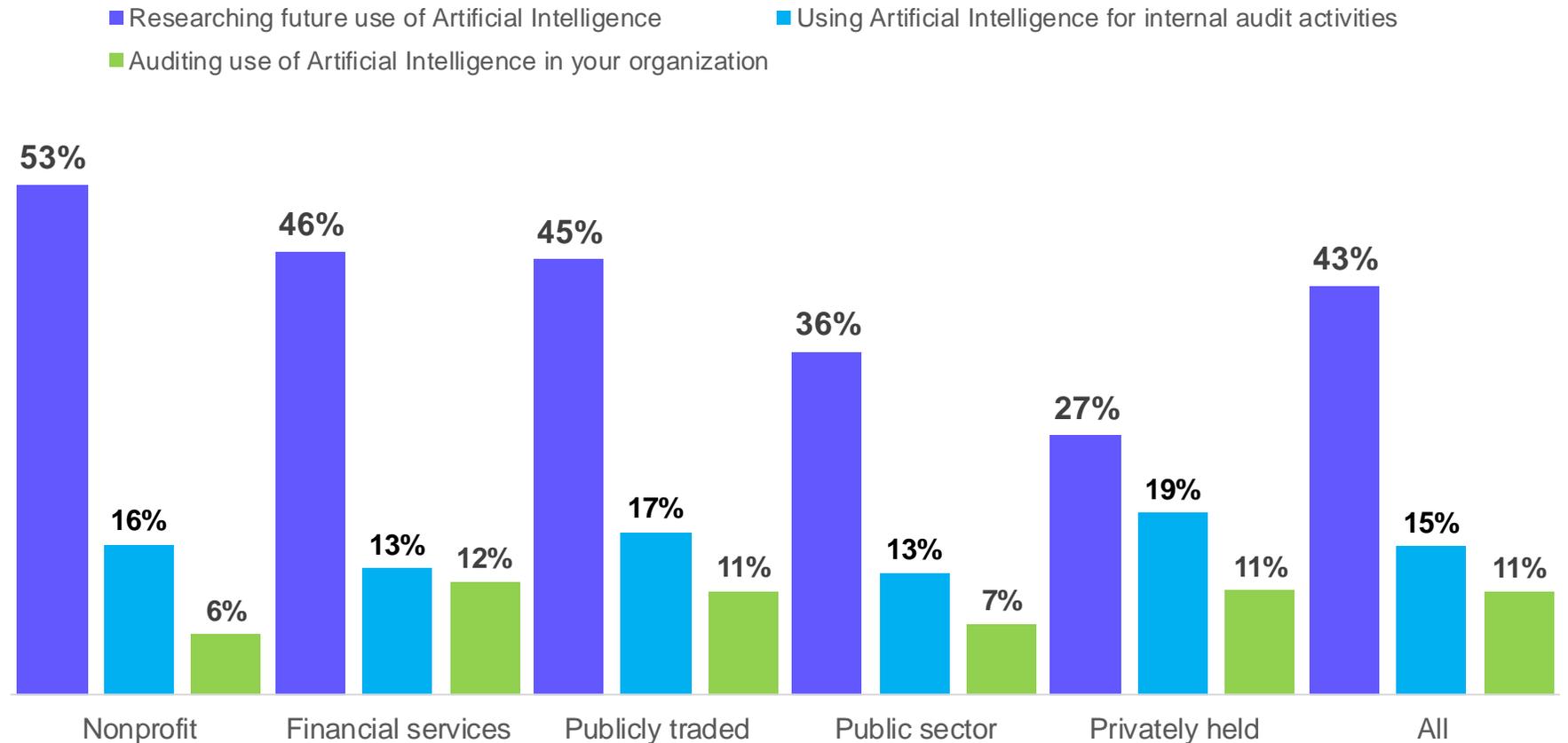
*By 2026, more than 80% of Enterprises will have used GenAI APIs or deployed GenAI-enabled applications.*



# 2024 Pulse Report: Interacting with AI

## AI Research and Activities by Industry

**Nonprofit, Financial Services, and Publicly Traded organizations are more involved in AI research and activities.**



# Digital Disruption: AI Washing

## What is AI Washing?

- Implying AI when none exists
- Exaggerating AI capabilities
- Using buzzwords without substance

## Why is AI Washing a Problem?

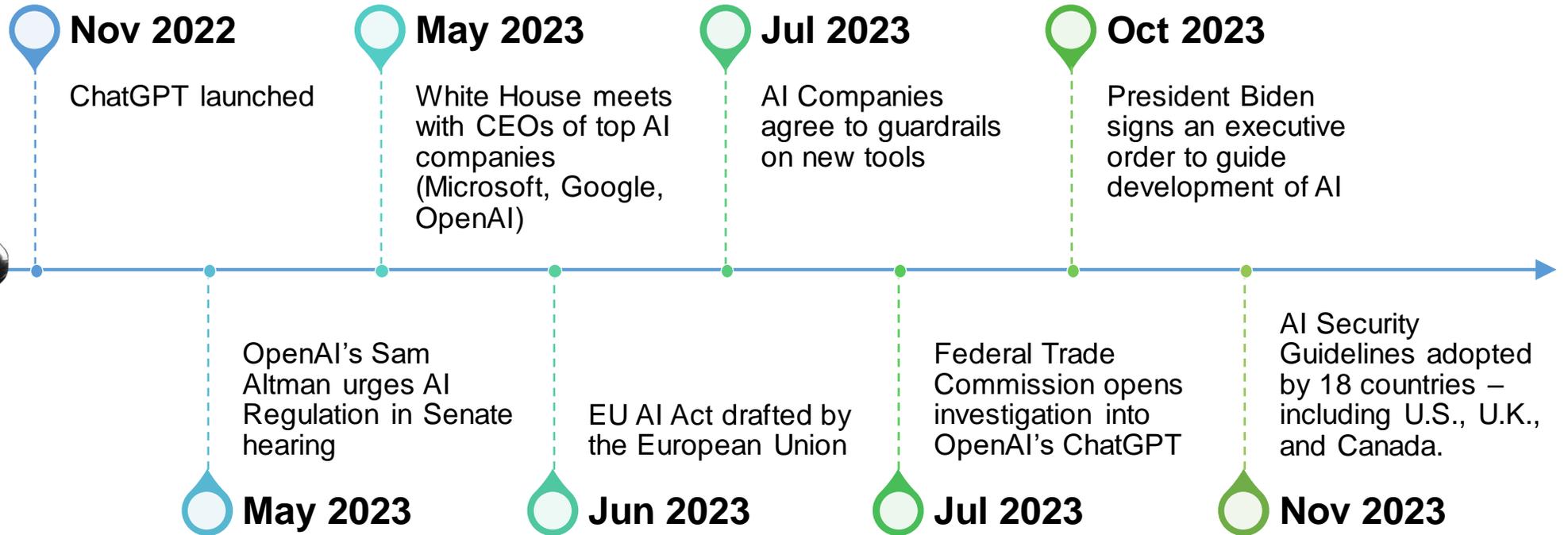
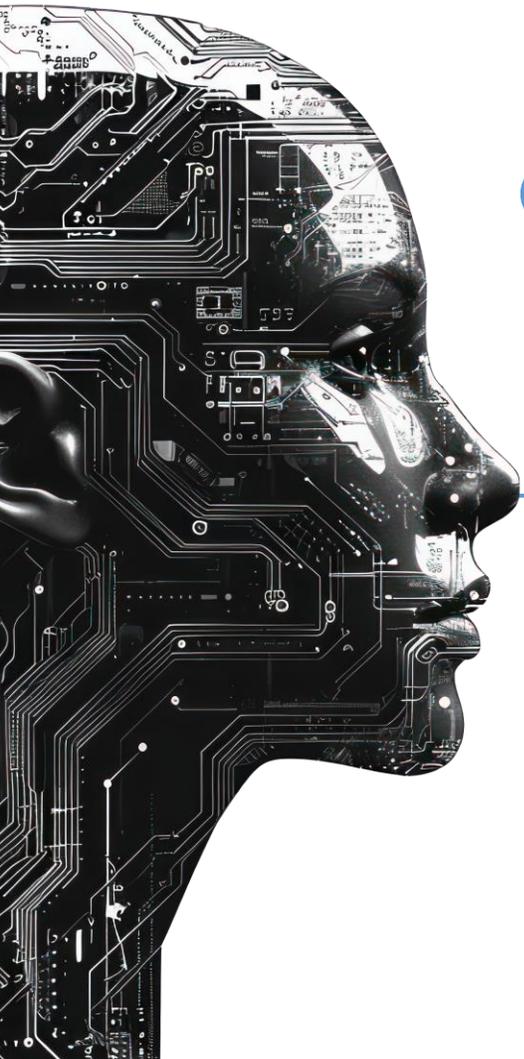
- Regulatory Compliance
- Reputational Damage
- Legal Risks
- Security Risks
- Misallocation of resources

## How Can Internal Auditors Address It?

- Increase awareness
- Assess AI claims
- Develop clear AI guidelines
- Independent reviews

# Digital Disruption/AI Regulation

## Road to AI Regulation



# Digital Disruption/AI

## Internal Auditors Can Lead By:



**Engage with management on emerging technologies to provide risk and controls advice on the implementation of new systems**



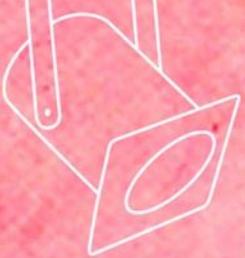
**Evaluate how mgmt. structures and thinks about data, including whether the data taxonomy is granular enough to identify and mitigate appropriate risks**



**Provide assurance the business identifies core IT systems and processes that can be used to embed privacy and data controls to reduce the compliance burden across the three lines**



**Proactively broach emerging risks with the board, emphasizing the potential upsides of taking a proactive, early-adopter strategic position**

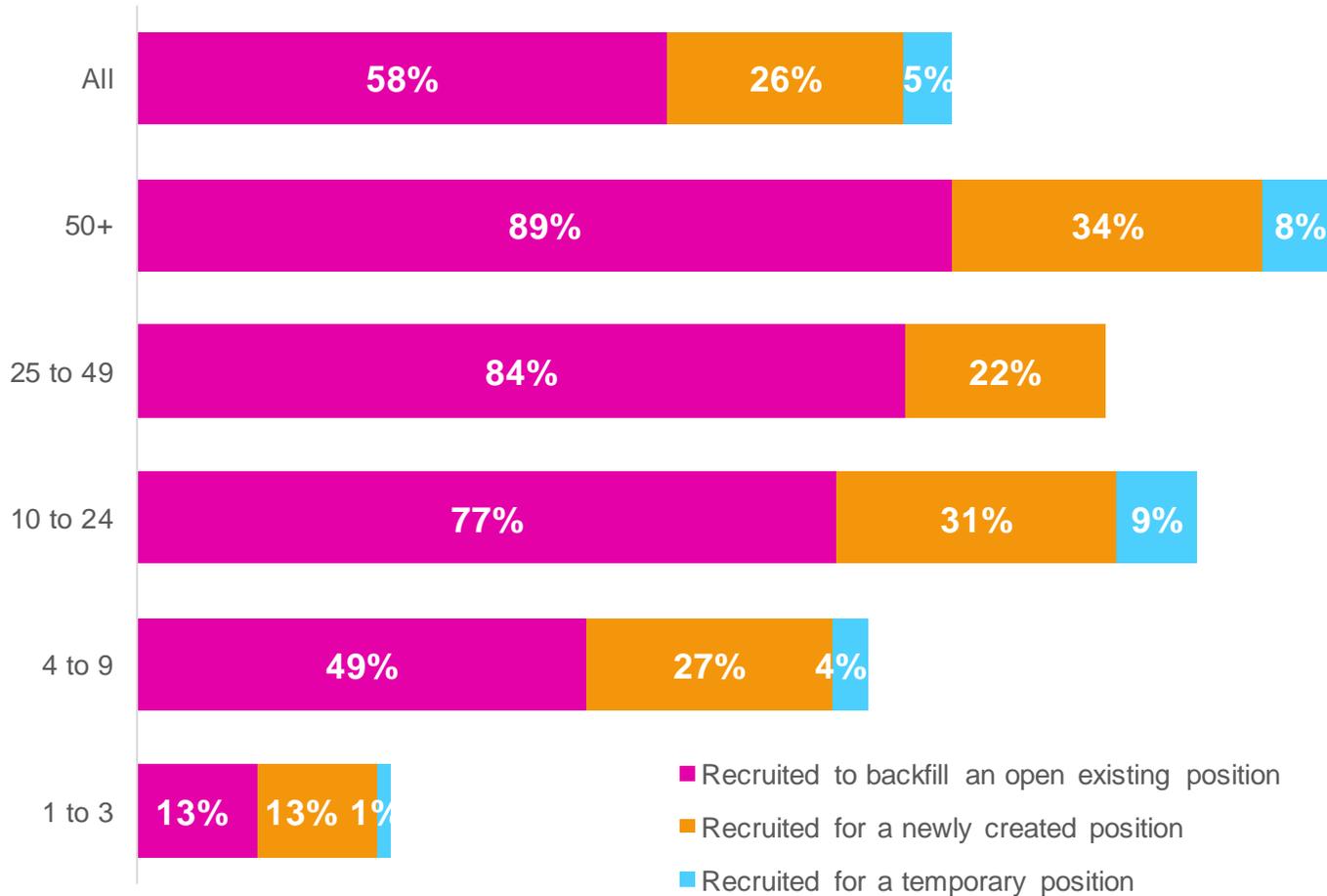


# Human Capital



# 2024 Pulse Report: Hiring Trends

## Internal Audit Function Hiring in Past 12 Months



## Hiring and Retaining Internal Audit Talent



**22%**

of internal audit leaders will increase their FTEs



**68%**

of internal audit leaders will keep their existing staff levels unchanged



**3%**

of internal audit leaders will decrease staff levels

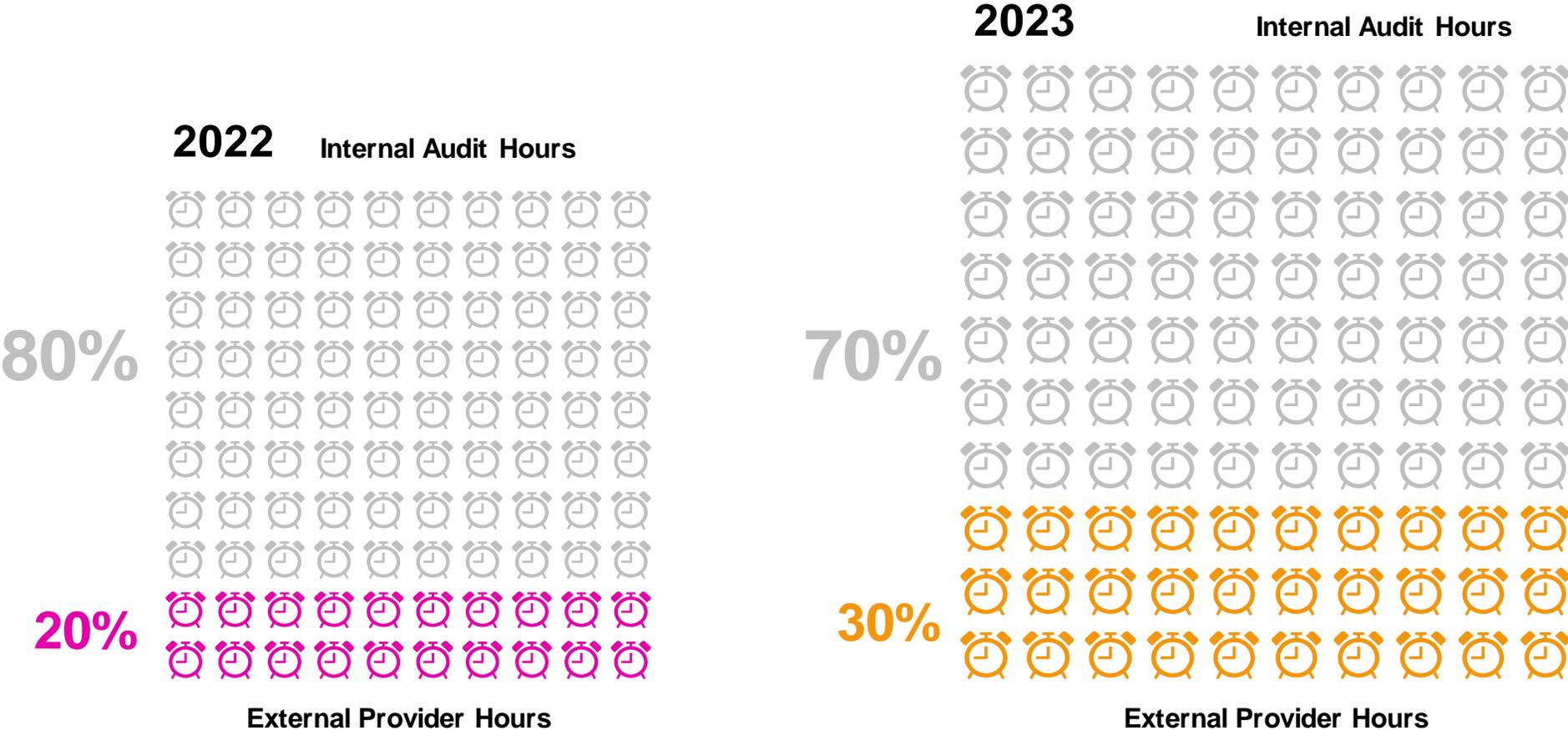


**7%**

of internal audit leaders are undetermined

# Human Capital

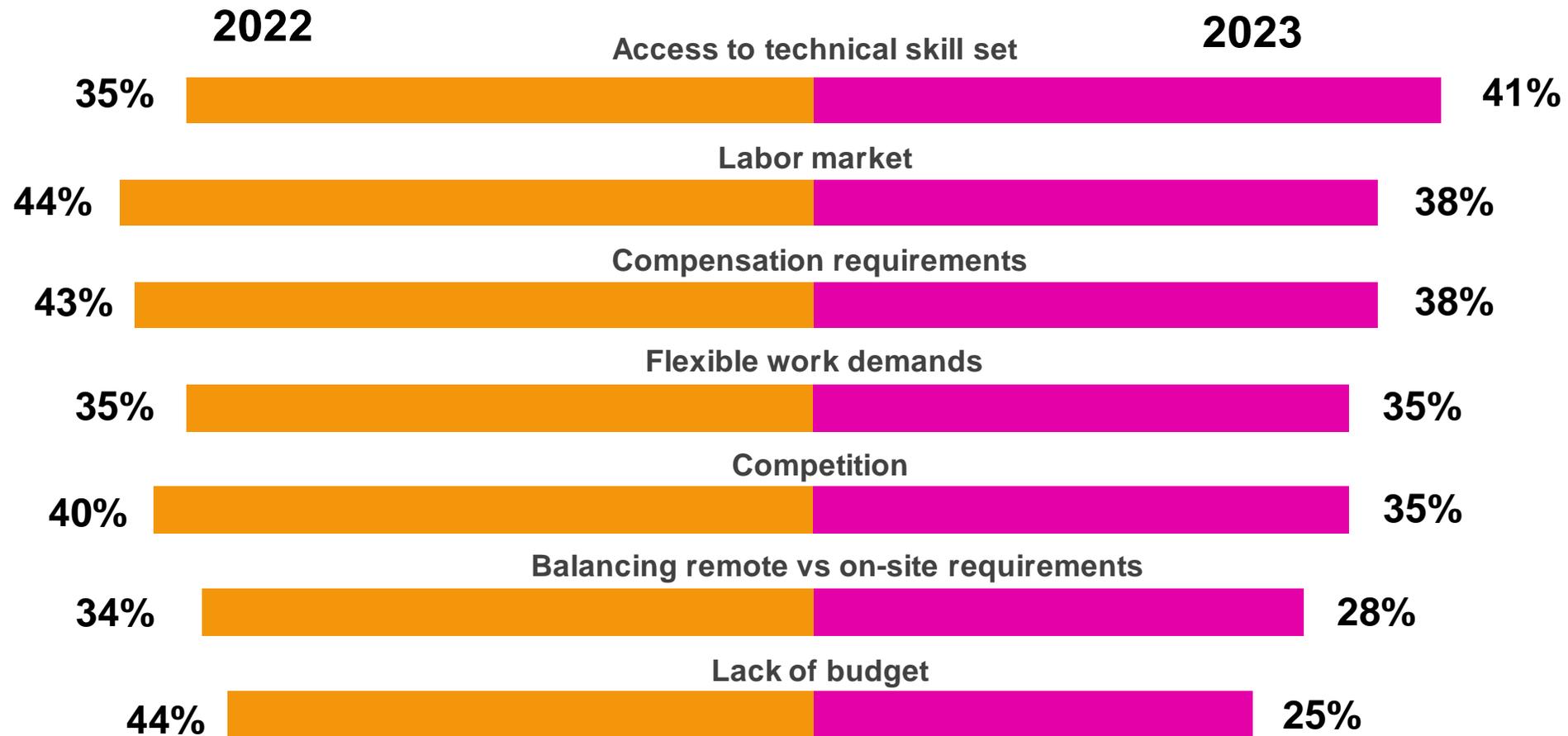
## Internal Audit's Bandwidth



Source: 2023 Jefferson Wells Internal Audit Priorities Annual Survey

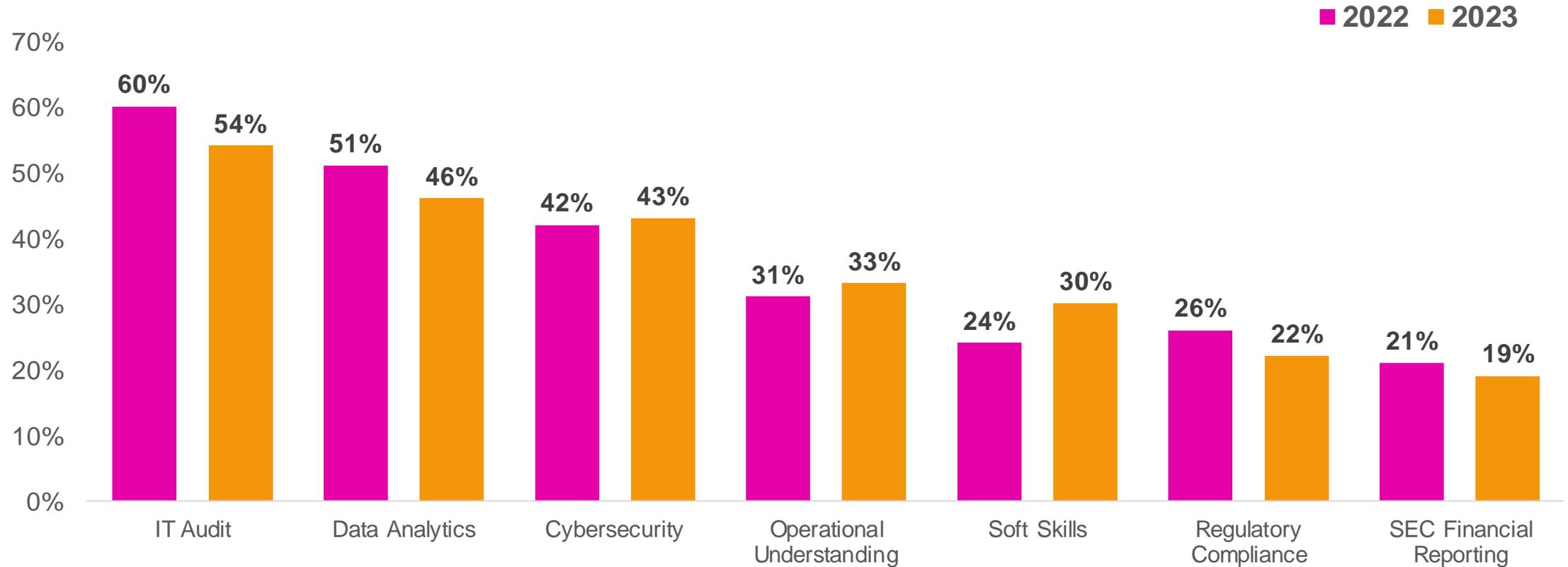
# Human Capital

## Biggest Challenges in Hiring and Retaining Internal Audit Talent



# Human Capital

## Internal Audit Skills Difficult to Develop and Retain



# Human Capital

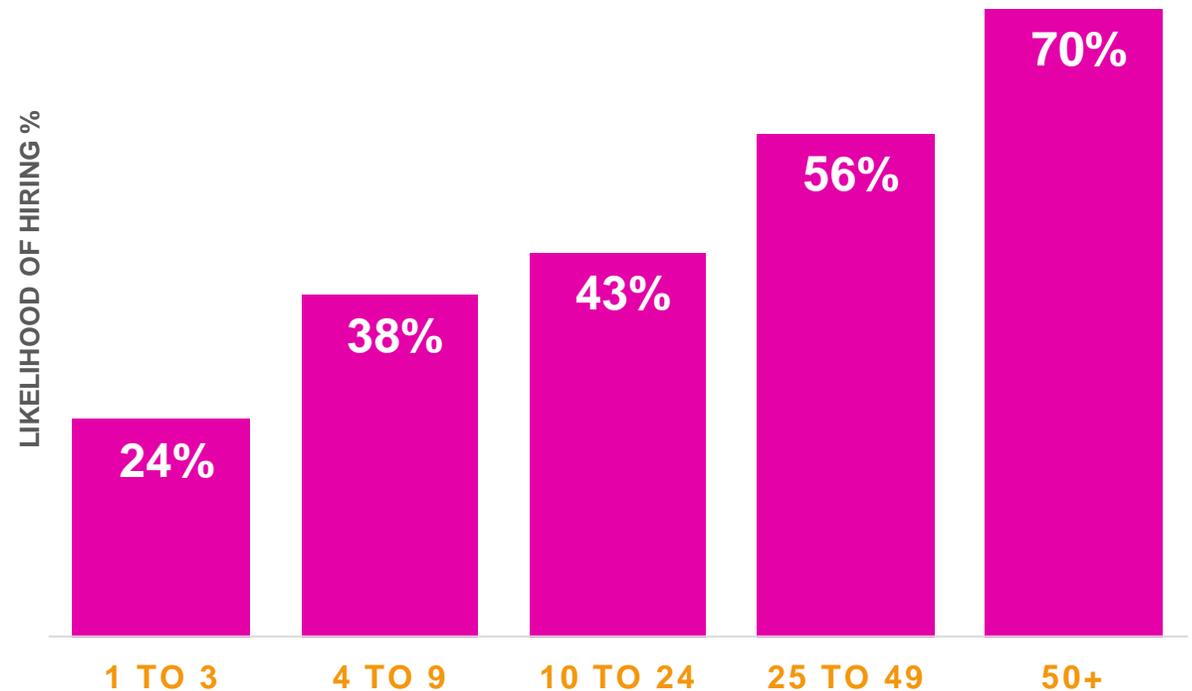
## Hiring Recent College Graduates

**45%**

of hiring managers plan to hire recent college graduates for entry-level internal audit roles in the next 12 months



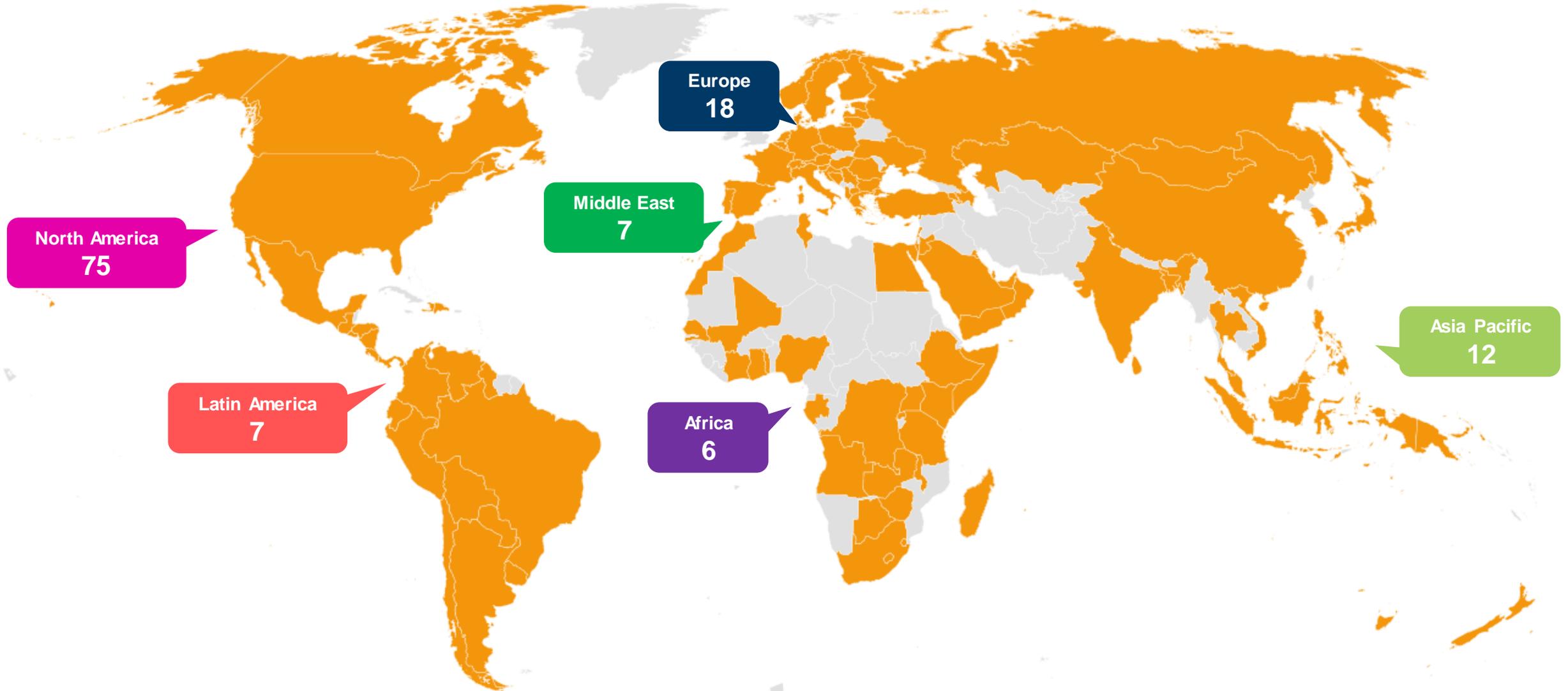
## NUMBER OF INTERNAL AUDIT EMPLOYEES AT ORGANIZATION



Source: 2024 Internal Audit Talent Pipeline Survey, Deloitte/Internal Audit Foundation

# Growing our Talent Pipeline: IIA Academic Programs

The IAAP and IAEP combined represent more than 120 colleges and universities worldwide.



# IIA Initiatives



# IPPF Evolution



# IPPF Evolution



## International Professional Practices Framework® (IPPF)

### Topical Requirements

A new mandatory element being developed.

Approved Topical Requirements will cover governance, risk management, and control processes over specific audit subjects.

# IPPF Evolution: Topical Requirements

## IPPF Evolution: Topical Requirements

### Topical Requirements Defined

- Requirements when providing assurance on the topics.
- Recommended practices.
- Applicable for a specific audit topic or engagement.
- Covering aspects of governance, risk management, and control processes.

### Topics Being Considered:

- Cybersecurity
- Sustainability: Environmental, Social & Governance
- Third-party Management
- Information Technology Governance
- Assessing Organizational Governance
- Fraud Risk Management
- Privacy Risk Management
- Public Sector: Performance Audits

## Timeline

Topical Requirements under development  
(2023-Q1 2024)

Topical Requirement on Cybersecurity will open for 90-day public comment  
(Date: Q2 2024)

Topical Requirement on Cybersecurity will be published  
(Date: Q4 2024)

Additional Topical Requirements will be developed (Date: TBD)

2023

2024

2025



# Global Advocacy & Corporate Governance Engagement

# 2023 Advocacy Successes

## ADVOCACY SUCCESSES



**IIA victory on  
PCAEOB  
regulation**



**Created U.S.  
Congressional & Canadian  
Government Key Person  
Programs**



**Educating officials on IA's  
role in AI, cyber, data  
privacy, etc.**



**Corporate governance  
response letter to  
OECD**

# 2024 Advocacy Priorities



**Center internal audit in AI, data privacy, cyber, crypto, ESG policy debates**



**Strengthen corporate governance engagement**



**Finalize global public policy positions paper**



**Enhance direct advocacy efforts in Canada**



**Leverage expertise of public policy committees**



**Develop global model legislation**

# Global Advocacy: Regulatory Change

## U.S. Legislation Being Monitored:

<b>H.R.448</b>	Putting Investors First Act
<b>S.824</b>	National Risk Management Act of 2023
<b>H.R.1123</b>	Understanding Cybersecurity of Mobile Networks Act
<b>H.R.1165</b>	Data Privacy Act of 2023
<b>S.1409</b>	Kids Online Safety Act
<b>S.2190</b>	RECOUP Act
<b>S.2281</b>	Responsible Financial Innovation Act
<b>S.2597</b>	Digital Consumer Protection Commission Act of 2023
<b>H.R.2801</b>	Kids PRIVACY Act
<b>H.R.3369</b>	AI Accountability Act
<b>H.R.4223</b>	National AI Commission Act
<b>H.R.4763</b>	Financial Innovation & Technology for the 21 <sup>st</sup> Century Act
<b>H.R.4766</b>	Clarity for Payment Stablecoins Act of 2023
<b>H.R.5745</b>	Digital Asset Market Structure and Investor Protection Act
<b>Draft</b>	Bipartisan Framework on AI
<b>Draft</b>	AI Research, Innovation, & Accountability Act

## Canadian Legislation

<b>Bill C-27</b>	Artificial Intelligence and Data Act (AIDA)
<b>Bill C-26</b>	Critical Cyber Systems Protection Act (CCSPA)



# Corporate Governance Engagement

## 2024 CGE North America Initiatives

### Stock Exchange Campaign

Launch campaign to require IA functions in publicly traded companies



Enhance existing, but insufficient IA requirement at NYSE



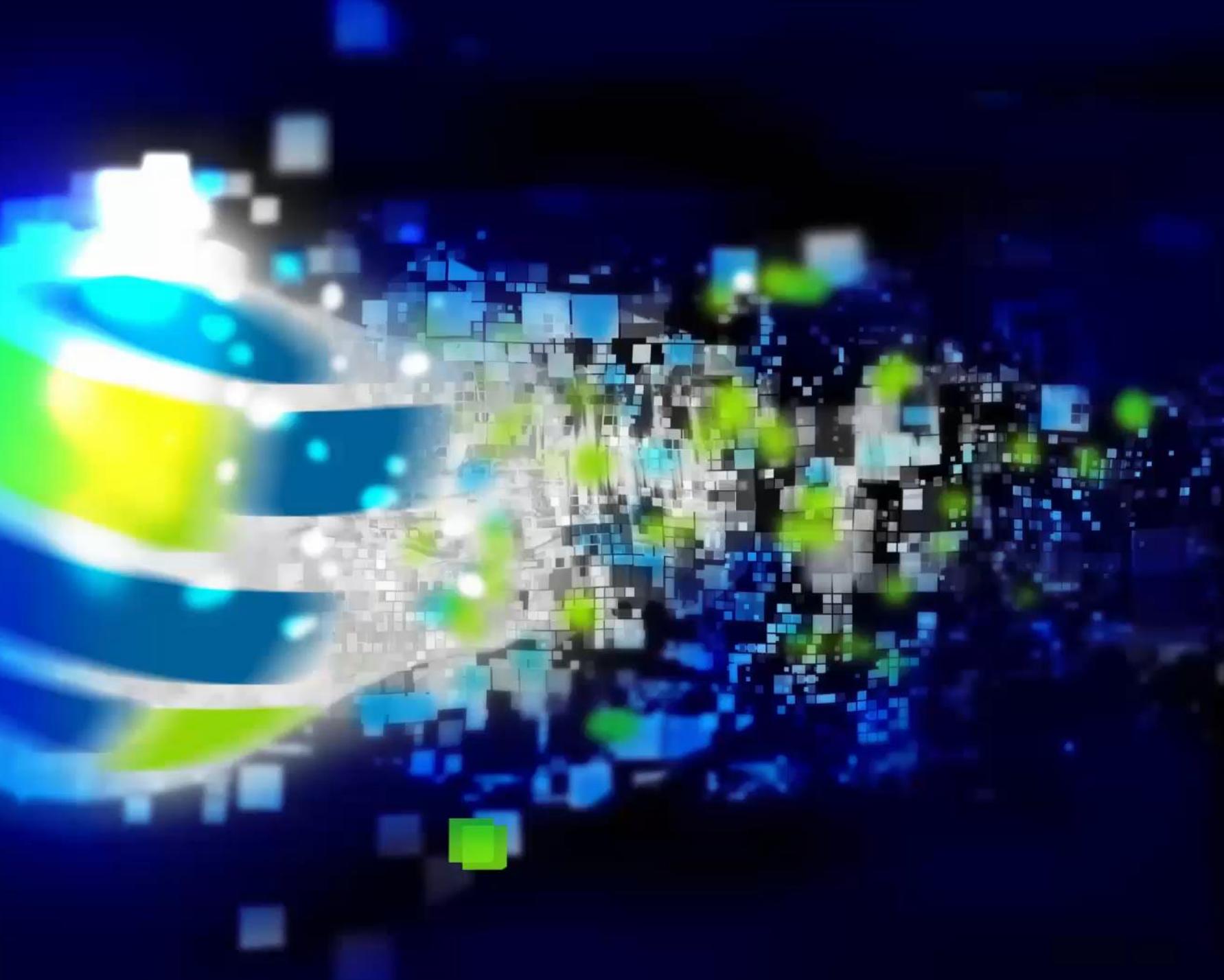
Develop new IA requirement at NASDAQ & TSX

### Service Provider Engagement

Build relationships with influential CG thought leaders at large service provider firms



Ensure IA is properly represented in thought leadership



Internal Audit:  
**VISION**  
**2035**

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CREATING OUR FUTURE TOGETHER



Internal Audit  
**FOUNDATION**

# Preliminary Findings

## Profession



Increasing use of emergent technologies for administrative & monitoring activity automation powers → **greater efficiency and capacity to expand IA focus + agile & continuous auditing**



Expanding from accounting & financial focus → **risk management, ESG & corporate values focus**



Shift from hindsight → **foresight orientation**



Elevated from assurance/compliance focus → **advisory/business strategy focus**

## Role



Powered by emergent tech; IA provides essential analysis & interpretation of tech-provided information



Rooted in and set apart by broad organizational POV & connections



Shift from retroactive police/watchdog → **proactive partner**



Shift from hidden & narrow reviewer → **integrated leader**

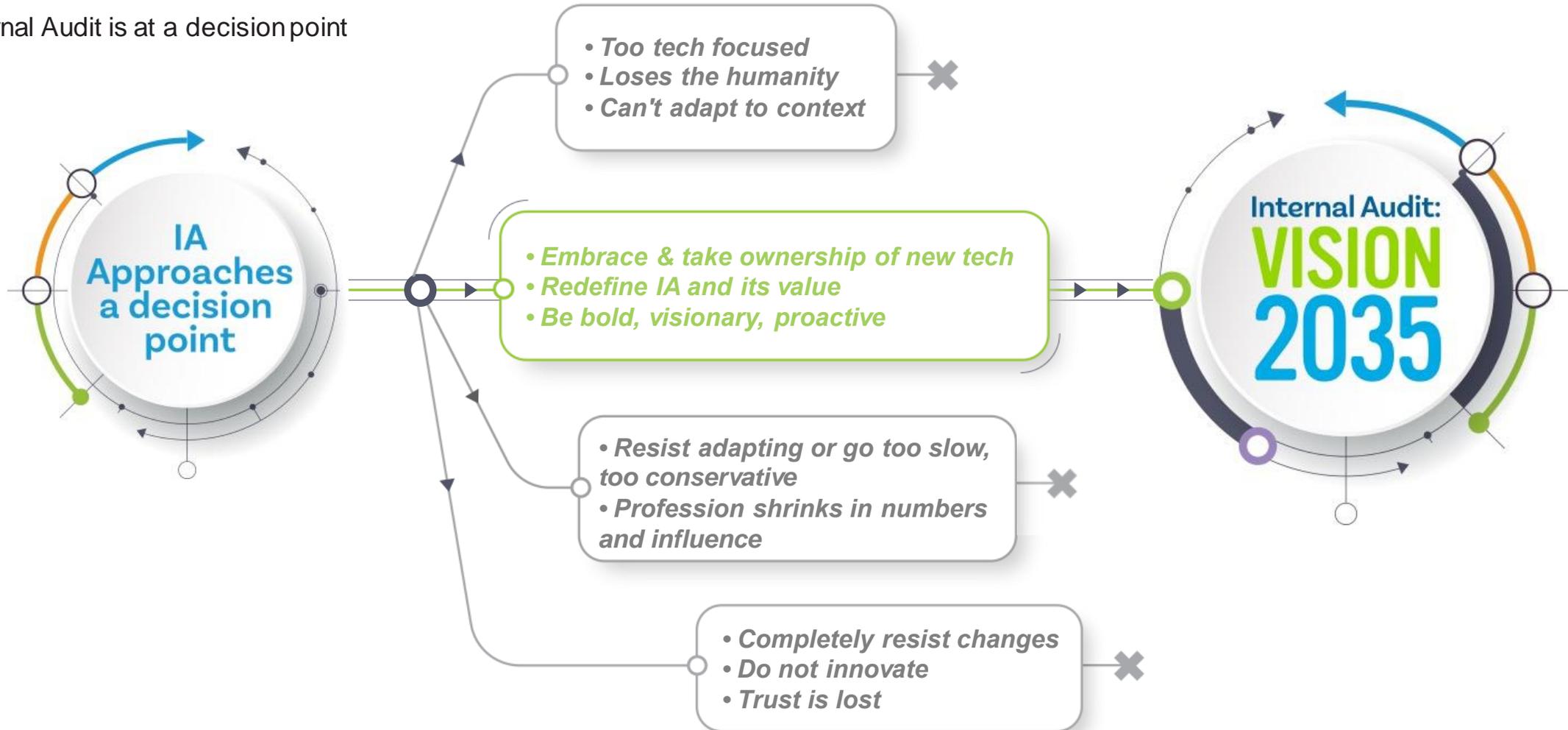


Elevated from providing information & assurance → **insight & anticipation**

# VISION 2035

## IAs and Stakeholders agree:

Internal Audit is at a decision point



# Vision 2035: Next Steps



## Participate in the Vision 2035 Survey

- Scan QR code to the right
- Survey closes March 15, 2024
- Share the survey with your internal audit colleagues and stakeholders



# Key Takeaways



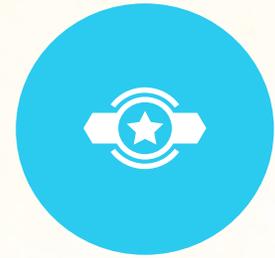
**Prepare for adoption  
of the new Global  
Internal Audit  
Standards**



**Technology presents  
tremendous  
opportunities and  
risk.**

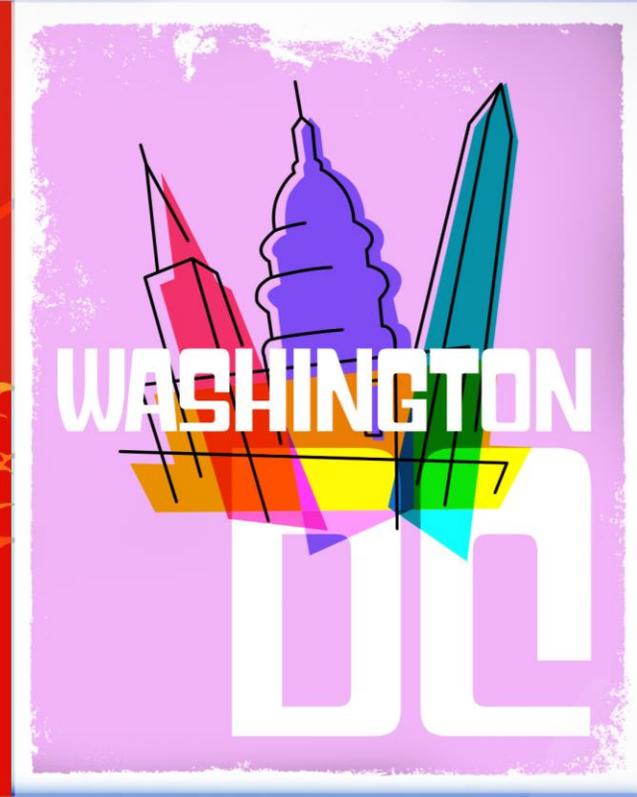
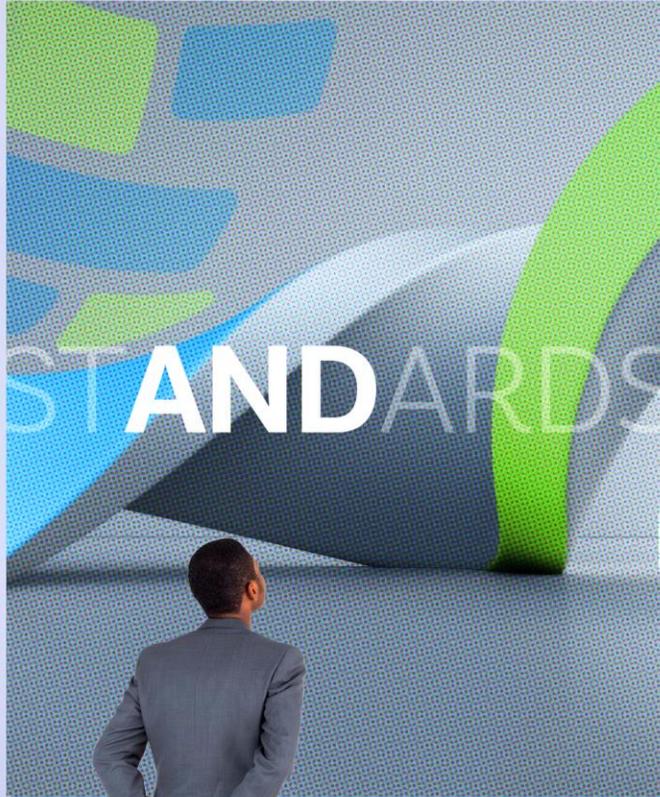


**Proactively broach  
emerging  
technologies and  
risks with board**



**We must *Think  
Different* to chart  
our course for the  
future.**





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